AmerGen Energy Company, LLC
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AmerGen℠
An Exelon/British Energy Company

10 CFR 50.71(b)

June 10, 2002
5928-02-20134
2130-02-20159

U.S. Nuclear Regulatory Commission
Attn: Document Control Desk
Washington, DC 20555-0001

SUBJECT: THREE MILE ISLAND, UNIT 1 (TMI UNIT 1)
OPERATING LICENSE NO. DPR-50
DOCKET NO. 50-289

CLINTON POWER STATION (CPS)
OPERATING LICENSE NO. NPF-62
DOCKET NO. 50-461

OYSTER CREEK GENERATING STATION (Oyster Creek)
OPERATING LICENSE NO. DPR-16
DOCKET NO. 50-219

AMERGEN ENERGY COMPANY, LLC (AmerGen)
ANNUAL FINANCIAL STATEMENTS

Attached is the 2001 Annual Financial Report for AmerGen Energy Company, LLC, operator of Three Mile Island, Unit 1 (TMI Unit 1), Clinton Power Station (CPS), and Oyster Creek Generating Station (Oyster Creek). This Annual Report contains the annual financial statements for 2001. This information is being submitted in accordance with the requirements of 10 CFR 50.71(b) and 10 CFR 50.4.

If you have any questions or require additional information, please do not hesitate to contact us.

Very truly yours,

Michael P. Gallagher
Director - Licensing & Regulatory Affairs
Mid-Atlantic Regional Operating Group

Enclosure: AmerGen Energy Company, LLC Financial Statements - December 31, 2001

M004

| | | |
|---|---|---|
| cc: | H. J. Miller, USNRC, Regional Administrator, Region I | w/ Enclosure |
| | J. E. Dyer, USNRC, Regional Administrator, Region III | " |
| | J. D. Orr, USNRC Senior Resident Inspector, TMI Unit 1 | w/o Enclosure |
| | R. J. Summers, USNRC Senior Resident Inspector, Oyster Creek | " |
| | P. S. Tam, USNRC Senior Project Manager, Oyster Creek | " |
| | J. B. Hopkins, USNRC Senior Project Manager, CPS | " |
| | T. G. Colburn, USNRC Senior Project Manager, TMI Unit 1 | " |
| | S. J. Collins, Office of Nuclear Reactor Regulation, USNRC, CPS | " |
| | File No. 99012 (TMI Unit 1) | " |
| | File No. 99012 (Oyster Creek) | " |

# AmerGen Energy Company LLC

## Financial Statements for the Years Ended December 31, 2001 and 2000

# AmerGen Energy Company, LLC

300 Exelon Way
Kennett Square, Pennsylvania 19348

## Management Committee
(as of March 13, 2002)

John L. Skolds, Chairman

Norman Callaghan

Duncan Hawthorne

Michael Kirwan

Charles P. Lewis

## Officers
(as of March 13, 2002)

| | |
|---|---|
| CEO and Chief Nuclear Officer | John L. Skolds |
| President | Duncan Hawthorne |
| Senior Vice President | Chris Crane |
| Senior Vice President | Joseph J. Hagan |
| Vice President and Controller | John Settelen |
| Vice President | Norman Callaghan |
| Vice President | Paul E. Haviland |
| Vice President | Charles P. Lewis |
| Vice President | Ron DeGregario |
| Vice President | J. Michael Heffley |
| Vice President | Bruce Williams |
| Treasurer | J. Barry Mitchell |
| Assistant Treasurer | Charles S. Walls |
| Secretary | Edward J. Cullen, Jr. |
| Assistant Secretary | Todd D. Cutler |

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PRICEWATERHOUSECOOPERS

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Philadelphia PA 19103-7042
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## Report of Independent Accountants

To the Members of
AmerGen Energy Company, LLC

In our opinion, the accompanying statements of position and the related statements of operations and changes in members' equity and of cash flows present fairly, in all material respects, the financial position of AmerGen Energy Company, LLC (the "Company") at December 31, 2001 and 2000, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP

February 20, 2002

## AmerGen Energy Company, LLC
### Statements of Position
### As of December 31, 2001 and 2000
*(Dollars in thousands)*

| Assets | 2001 | 2000 |
|---|---|---|
| **Current Assets** | | |
| Cash and cash equivalents | $ 26,746 | $ 14,660 |
| Accounts receivable | 44,963 | 37,407 |
| Notes receivable, net | 13,280 | 17,200 |
| Materials and supplies | 22,505 | 13,805 |
| Prepaid expenses and other | 7,028 | 10,456 |
| Total current assets | 114,522 | 93,528 |
| **Fixed Assets** | | |
| Property, plant and equipment, net of accumulated depreciation of $9,522 and $1,292 in 2001 and 2000, respectively | 163,304 | 35,536 |
| Construction work in progress | 81,776 | 91,370 |
| Nuclear fuel, net of accumulated amortization | 124,970 | 95,502 |
| Total fixed assets | 370,050 | 222,408 |
| **Other Long Term Assets** | | |
| Decommissioning funds | 990,216 | 978,392 |
| Goodwill, net | 34,439 | 24,666 |
| Total assets | $1,509,227 | $1,318,994 |
| **Liabilities and Members' Equity** | | |
| **Current Liabilities** | | |
| Accounts payable | $ 116,088 | $ 122,246 |
| Current portion of long-term notes | 25,505 | 25,505 |
| Due to affiliates | 43,021 | 15,986 |
| Total current liabilities | 184,614 | 163,737 |
| **Non-Current Liabilities** | | |
| Decommissioning obligations | 920,887 | 885,466 |
| Excess of acquired net assets over cost, net | 43,398 | 58,905 |
| Long-term notes, net of current portion | 78,274 | 48,313 |
| Pension obligations | 22,130 | 22,000 |
| Other post-retirement benefit obligations | 61,300 | 54,520 |
| Other | 194 | - |
| Total non-current liabilities | 1,126,183 | 1,069,204 |
| Total liabilities | 1,310,797 | 1,232,941 |
| **Members' Equity** | | |
| Member's capital - Exelon Generation | 40,110 | 40,110 |
| Member's capital - British Energy | 40,110 | 40,110 |
| Unrealized gains (losses) on decommissioning funds | (36,330) | 7,580 |
| Members' equity (deficit) | 154,540 | (1,747) |
| Total members' equity | 198,430 | 86,053 |
| Total liabilities and members' equity | $1,509,227 | $1,318,994 |

The accompanying notes are an integral part of these financial statements.

## AmerGen Energy Company, LLC
### Statements of Operations and Changes in Members' Equity
### For the Years Ended December 31, 2001 and 2000
*(Dollars in thousands)*

| | 2001 | 2000 |
|---|---|---|
| **Operating revenue** | $601,969 | $450,332 |
| **Operating expense** | | |
| Fuel | 47,770 | 40,997 |
| Operating and maintenance | 401,794 | 361,626 |
| Employee severance and termination costs | - | 18,540 |
| Depreciation and amortization | 5,603 | (3,488) |
| Other taxes | 25,064 | 23,408 |
| Total operating expense | 480,231 | 441,083 |
| Operating income | 121,738 | 9,249 |
| Interest expense | (42,237) | (29,987) |
| Investment income on decommissioning trust funds | 68,547 | 17,871 |
| Other income (expense), net | 8,239 | (2,599) |
| **Net income (loss)** | 156,287 | (5,466) |
| Members' equity, beginning of year | (1,747) | 3,719 |
| Members' equity (deficit), end of year | $154,540 | $ (1,747) |

The accompanying notes are an integral part of these financial statements.

## AmerGen Energy Company, LLC
### Statements of Cash Flows
### For the Years Ended December 31, 2001 and 2000
*(Dollars in thousands)*

| | 2001 | 2000 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Net income (loss) | $ 156,287 | $ (5,466) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Amortization of nuclear fuel | 30,176 | 26,374 |
| Decommissioning expense | 35,421 | 25,958 |
| Pension expense in excess of contributions | 130 | 22,000 |
| Net realized (gains)/losses on decommissioning trust funds | (48,572) | 2,088 |
| Postretirement benefits expense | 6,780 | 10,010 |
| Amortization of goodwill | (2,641) | (4,876) |
| Amortization of discount/premium | 6,817 | 4,028 |
| Depreciation expense | 8,230 | 1,388 |
| Other | 215 | (3,234) |
| Changes in working capital: | | |
| Accounts receivable | 40,027 | (18,763) |
| Materials and supplies | (8,700) | (12,851) |
| Other current assets | 3,428 | (2,417) |
| Accounts payable | (6,158) | 38,521 |
| Other current liabilities | - | 31,334 |
| Due to affiliates | 27,036 | 26,367 |
| Net cash provided by operating activities | 248,476 | 140,461 |
| **Cash flows from investing activities:** | | |
| Acquisition of nuclear generating station | - | (13,764) |
| Preacquisition taxes on decommissioning trust funds | (22,639) | - |
| Investment in property, plant and equipment | (126,418) | (98,375) |
| Investment in nuclear fuel | (59,644) | (26,653) |
| Payment received on note receivable | 4,986 | 4,931 |
| Proceeds from decommissioning trust fund | 386,979 | 360,348 |
| Investment in decommissioning trust fund | (394,149) | (383,388) |
| Net cash used in investing activities | (210,885) | (156,901) |
| **Cash flows from financing activities** | | |
| Repayments on financing agreements | (25,505) | (15,644) |
| Net cash provided by (used in) financing activities | (25,505) | (15,644) |
| Net increase (decrease) in cash | 12,086 | (32,084) |
| Cash and cash equivalents at beginning of year | 14,660 | 46,744 |
| Cash and cash equivalents at end of year | $ 26,746 | $ 14,660 |

The accompanying notes are an integral part of these financial statements.

## 1. Significant Accounting Policies

### Description of Business

PECO Energy Company, Inc. (PECO), a wholly-owned subsidiary of Exelon Corporation and British Energy, Inc. (BE), a wholly-owned subsidiary of British Energy, PLC, formed AmerGen Energy Company, LLC (AmerGen or the Company) to pursue opportunities to acquire and operate nuclear power generating stations in the United States. At December 31, 2000, PECO and BE each own a 50% equity interest in AmerGen. In January 2001, PECO assigned its interest in AmerGen to an affiliate, Exelon Generation, LLC. AmerGen currently owns and operates the Clinton Nuclear Power Station (CNPS) in Clinton, Illinois, Three Mile Island Unit No. 1 (TMI) located in Middletown, Pennsylvania and the Oyster Creek (OC) Nuclear Generating Station located in Forked River, New Jersey.

### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Revenues

Electricity generated by the Company is sold at wholesale under Purchase Power Agreements (PPAs). Wholesale electric revenues are recorded as the energy is delivered to customers. At the end of each month, AmerGen accrues an estimate for unbilled energy provided to its customers.

### Nuclear Fuel

The cost of nuclear fuel is capitalized and charged to fuel expense on the units of production method. Estimated costs of nuclear fuel disposal are charged to fuel expense as the fuel is consumed.

### Depreciation and Amortization

Depreciation is provided over the estimated service lives of the property, plant and equipment on a straight line basis. Nuclear power stations operate under a license granted by the Nuclear Regulatory Commission (NRC) for a fixed period of time. Plant service lives may be limited by the expiration of the license. Annual depreciation provisions for financial reporting purposes for each asset category are presented in the table below:

| Asset Category | CNPS | TMI | OC |
|---|---|---|---|
| Generation and common plant | 26 years | 13 years | 9 years |
| Other property and equipment | 10 years | 10 years | 9 years |

In 2001 and 2000, the Company amortized goodwill and the excess of acquired net assets over cost on a straight-line basis. These amounts, associated with the acquisitions of CNPS, TMI and OC are being amortized over approximately 26 years, 13 years and 9 years, respectively.

**Income Taxes**
A provision for income taxes is not included in the accompanying financial statements as AmerGen is treated as a partnership for federal and state income tax purposes. Earnings or losses of AmerGen are allocated to the equity members for inclusion in each of the members separate tax returns.

Taxes based on the taxable income of the qualified decommissioning trusts are included in investment income in the statement of operations. Such taxes are determined at a 20% federal rate. Taxable income includes interest, dividends and capital gains.

In 2001, AmerGen was able to determine the amounts of income tax liabilities related to the qualified decommissioning trusts at the dates such trusts were acquired by AmerGen. Such income taxes totaled approximately $23 million and were recorded as increases to goodwill of the respective nuclear power stations. Due to dispositions of securities in the decommissioning funds these taxes were paid in 2001. Income taxes of $8,786 related to the qualified decommissioning trusts are included in investment income in 2001.

**Property, Plant and Equipment**
Property, plant and equipment is recorded at cost. The cost of maintenance, repairs and minor replacements of property are charged to maintenance expense as incurred. AmerGen evaluates the carrying value of property, plant and equipment and other long-term assets based upon current and anticipated undiscounted cash flows, and would recognize an impairment when it is probable that such estimated cash flows will be less than the carrying value of the asset. Measurement of the amount of impairment, if any, is based upon the difference between the carrying value and the fair market value. The cost and accumulated depreciation of property, plant and equipment retired or otherwise disposed of are removed from the related accounts and included in the determination of the gain or loss on disposition.

**Cash and Cash Equivalents**
AmerGen considers all temporary cash investments purchased with an original maturity of three months or less to be cash equivalents.

**Marketable Securities**
Marketable securities are classified as available-for-sale securities and are reported at fair value, with the unrealized gains and losses, net of tax, reported in other comprehensive income. The cost of these securities is determined on the basis of specific identification. At December 31, 2001 and 2000, AmerGen had no held-to-maturity or trading securities.

Unrealized gains and losses on marketable securities held in the nuclear decommissioning trust funds are reported in accumulated other comprehensive income.

**Inventories**
Materials and supplies inventories are carried at the lower of average cost or market.

**Fair Value of Financial Instruments**
As of December 31, 2001 and 2000, AmerGen's carrying amounts of cash and cash equivalents and accounts receivable are representative of fair value because of the short-term nature of these instruments.

**Reclassification**
Certain prior year amounts have been reclassified to conform to the current year presentation.

**New Accounting Pronouncements**
In 2001, the FASB issued SFAS No. 141, "Business Combinations" (SFAS No. 141), SFAS No. 142 Goodwill and Other Intangible Assets (SFAS No. 142), SFAS No. 143, "Asset Retirement Obligations" (SFAS No. 143), and SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS No. 144).

SFAS No. 141 requires that all business combinations initiated after June 1, 2001, be accounted for under the purchase method of accounting and establishes criteria for the separate recognition of intangible assets acquired in business combinations. In addition, SFAS No. 141 requires that unamortized negative goodwill related to pre July 1, 2001 purchases be recognized as a change in accounting principle concurrent with the adoption of SFAS No. 142. AmerGen adopted SFAS No. 142 as of January 1, 2002. As of December 31, 2001, $43 million in excess of acquired net assets over cost (negative goodwill), net of accumulated amortization, was included in the statement of position. Upon the adoption of SFAS No. 142, AmerGen recognized approximately $43 million, pre-tax, as a cumulative effect of a change in accounting principle.

SFAS No. 142 establishes new accounting and reporting standards for goodwill and intangible assets. Under SFAS No. 142, effective January 1, 2002, goodwill recorded by AmerGen is no longer subject to amortization. After January 1, 2002, goodwill will be subject to an assessment for impairment using a two-step fair value based test, the first step of which must be performed at least annually, or more frequently, if events or circumstances indicate that goodwill might be impaired. The first step compares the fair value of a reporting unit to its carrying amount, including goodwill. If the carrying amount of the reporting unit exceeds its fair value, the second step is performed. The second step compares the carrying amount of the goodwill to the fair value of the goodwill. If the fair value of the goodwill is less than the carrying amount, an impairment loss would be reported as a reduction to goodwill and a charge to operating expense, except at the transition date, when the loss would be reflected as a cumulative effect of a change in accounting principle. As of December 31, 2001, AmerGen's balance sheet reflected approximately $34 million in goodwill net of accumulated amortization. Annual amortization of goodwill was discontinued upon adoption of SFAS No. 142. The first step of the transitional impairment analysis indicates that goodwill is not impaired.

SFAS No. 143 provides accounting requirements for retirement obligations associated with tangible long-lived assets. AmerGen expects to adopt SFAS No. 143 on January 1, 2003. Retirement obligations associated with long-lived assets included within the scope of SFAS No. 143 are those for which there is a legal obligation to settle under existing or enacted law, statute, written or oral contract or by legal construction under the doctrine of promissory estoppel. An estimate of the fair value of the decommissioning obligation for each of the plants was recorded as a liability on the

Company's balance sheet on each of the respective acquisition dates. This liability has then been escalated at a rate of 4% per year. The January 1, 2003 adoption of SFAS No. 143 will require a cumulative effect adjustment effective the date of adoption to adjust plant assets and decommissioning liabilities to the values they would have been had this standard been employed from the acquisition dates of the plants.

The effect of this cumulative adjustment will be an accrual of an asset related to the full amount of the decommissioning obligation less accumulated depreciation from the acquisition date, which will be amortized over the remaining life of the plant. The difference between the amounts of assets and decommissioning liabilities recognized under SFAS No. 143 and the existing decommissioning liability recorded, which will be reversed, will be credited to earnings and recognized as the cumulative effect of the accounting change.

AmerGen is in the process of evaluating the impact of SFAS No. 143 on its financial statements, and cannot determine the ultimate impact of adoption at this time, however the cumulative effect could be material to earnings. Additionally, although over the life of the plant the charges to earnings for the depreciation of the asset and the interest on the liability will be equal to the amounts currently recognized as decommissioning expense, the timing of those charges will change and in the near-term period subsequent to adoption, the depreciation of the asset and the interest on the liability could result in an increase in expense.

SFAS No. 144 establishes accounting and reporting standards for both the impairment and disposal of long-lived assets. This statement is effective as of January 1, 2002 and provisions of this statement are generally applied prospectively. AmerGen is in the process of evaluating the impact of SFAS 144, but does not expect the impact to be material.

## 2. Customers

For the years ended December 31, 2001 and 2000, two customers, Illinois Power Company (IP) and GPU Nuclear, Inc. (GPU), accounted for approximately 91% and 92%, respectively, of revenues. AmerGen entered into purchase power agreements with IP expiring December 31, 2004 and with GPU expiring December 31, 2001 for TMI and March 31, 2003 for OC. Upon termination of the purchase power agreements, all output will be sold to the Exelon Power Team for wholesale marketing.

## 3. Commitments and Contingencies

### Capital Commitments

AmerGen estimates that it will spend approximately $166 million on capital expenditures in 2002 for its existing facilities.

**Nuclear Insurance**
The Price-Anderson Act limits the liability of nuclear reactor owners for claims that could arise from a single incident. The current limit is $9.5 billion and is subject to change to account for the effects of inflation and changes in the number of licensed reactors. AmerGen carries the maximum available commercial insurance of $200 million and the remaining $9.3 billion is provided through mandatory participation in a financial protection pool. Under the Price-Anderson Act, all nuclear reactor licensees can be assessed up to $89 million per reactor per incident, payable at no more than $10 million per reactor per incident per year. This assessment is subject to inflation and state premium taxes. If required, Exelon and BE have guaranteed payment of this assessment. In addition, the U.S. Congress could impose revenue-raising measures on the nuclear industry to pay claims. The Price-Anderson Act is scheduled to expire in August 2002. Although replacement legislation has been proposed from time to time, AmerGen is unable to predict whether replacement legislation will be enacted.

AmerGen carries property damage, decontamination and premature decommissioning insurance for each station loss resulting from damage to its nuclear plants. In the event of an accident, insurance proceeds must first be used for reactor stabilization and site decontamination. If a decision is made to decommission a facility, a portion of the insurance proceeds will be allocated to a fund which AmerGen is required by the NRC to maintain to provide for decommissioning the facility. AmerGen is unable to predict the timing of the availability of insurance proceeds or the amount of such proceeds which would be available. Under the terms of the various insurance agreements, AmerGen could be assessed up to $38 million for losses incurred at any plant insured by the insurance companies. In the event that one or more acts of terrorism cause accidental property damage within a twelve-month period from the first accidental property damage under one or more policies for all insureds, the maximum recovery for all losses by all insureds will be an aggregate of $3.24 billion plus such additional amounts as the insurer may recover for all such losses from reinsurance, indemnity, and any other source, applicable to such losses.

Additionally, AmerGen is a member of an industry mutual insurance company that provides replacement power cost insurance in the event of a major accidental outage at a nuclear station. The premium for this coverage is subject to assessment for adverse loss experience. AmerGen's maximum share of any assessment is $16 million per year. Recovery under this insurance for terrorist acts is subject to the $3.24 billion aggregate limit and secondary to the property insurable described above.

**Nuclear Decommissioning**
The Company's current estimate of its total future nuclear decommissioning costs is $3.5 billion and considers future increases in cost due to inflation. An estimate of the fair values of the decommissioning obligations totaling approximately $860 million was recorded as a liability on the Company's balance sheet at the dates of the TMI, CNPS, and OC acquisitions. The liability has then been escalated at 4% per year, resulting in the estimated fair value of decommissioning of $921 million at December 31, 2001. As of December 31, 2001, AmerGen held $990 million in trust to fund its decommissioning liability. This amount has been reflected as a long-term asset in the Company's balance sheet. The decommissioning fund asset includes both realized and unrealized gains. Net unrealized gains are recognized as a component of members' equity. Net realized gains are recognized in the Company's results of operations.

At December 31, 2001 and 2000, the assets of the decommissioning funds were invested approximately 24.8% and 32.5% in equity securities, 60.4% and 55.7% in fixed income obligations, 12.9% and 7.2% in collective trust funds, and the remainder in other short-term interest bearing accounts.

**Spent Fuel Storage**
Under the Nuclear Waste Policy Act of 1982 (NWPA), the U.S. Department of Energy (DOE) is required to take possession of all spent nuclear fuel generated by AmerGen's nuclear units for long-term storage. AmerGen pays DOE one mill ($.001) per kilowatt-hour of net nuclear generation for the cost of nuclear fuel long-term storage and disposal. This fee may be adjusted prospectively to ensure full cost recovery. The NWPA required the DOE to begin taking possession of spent nuclear fuel generated by nuclear generating units by no later than January 1998. The DOE, however, failed to meet that deadline and its performance is expected to be delayed significantly. The DOE's current estimate for opening a spent nuclear fuel storage facility is 2010. This extended delay has led to AmerGen's use of dry storage at Oyster Creek.

**Pennsylvania Real Estate Tax Appeals**
AmerGen is involved in an appeal of its property tax assessment by the County of Dauphin, Pennsylvania associated with TMI. The Company has estimated its liability to be $2.7 million which has been accrued as of December 31, 2001. The Company does not believe the outcome of this matter will have a material adverse effect on AmerGen's results of operations.

**General**
AmerGen is involved in various other litigation matters. The ultimate outcome of such matters, while uncertain, is not expected to have a material adverse effect on the Company's financial condition or results of operations.

**TMI Contingent Price Adjustment**
In connection with the purchase of TMI, the Company entered into an agreement with GPU that provides for certain contingent payments to be made by AmerGen, beginning in calendar 2002 and ending in 2010, based on a price adjustment calculation detailed in the agreement. Due to the fact that the calculation is based on future events an estimate of the contingent obligation, if any, cannot be reasonably estimated.

Effective December 18, 2001, AmerGen entered into a power purchase agreement with Exelon Generation Company, LLC. Under this agreement as part of the price of power, AmerGen will receive from Exelon Generation an amount equal to the amount of the contingent price adjustment.

## 4. Notes Receivable

During 1999, in connection with the acquisition of the CNPS, AmerGen received from Illinois Power Company a note to be paid in five annual installments of $5 million. The final payment is due no later the December 31, 2004. The note has been recorded at its net present value based on an imputed interest rate of 6.2%.

## 5. Goodwill

The amount of goodwill or the excess of acquired net assets over cost ("negative goodwill") was as follows as of December 31, 2001 and 2000:

| | CNPS | TMI | OC | Total |
|---|---|---|---|---|
| Date acquired | December 1999 | December 1999 | August 2000 | |
| Current license expiration | 2025 | 2013 | 2009 | |
| Goodwill | $31,121 | 4,302 | - | $ 35,423 |
| Negative goodwill | - | $ - | $ (51,955) | (51,955) |
| Accumulated amortization | (1,966) | 982 | 8,557 | 7,573 |
| Net | $29,155 | $ 5,284 | $ (43,398) | $ (8,959) |

| | CNPS | TMI | OC | Total |
|---|---|---|---|---|
| Balance at January 1, 2000 | $12,695 | $ (26,551) | $ - | $ (13,856) |
| Acquisition of Oyster Creek | - | - | (58,609) | (58,609) |
| Purchase price adjustment (a) | 12,504 | 20,846 | - | 33,350 |
| Amortization | (533) | 2,073 | 3,336 | 4,876 |
| Balance at December 31, 2000 | 24,666 | (3,632) | (55,273) | (34,239) |
| Purchase price adjustment (b) | 5,901 | 10,084 | 6,654 | 22,639 |
| Amortization | (1,412) | (1,168) | 5,221 | 2,641 |
| Balance at December 31, 2001 | $29,155 | $ 5,284 | $ (43,398) | $ (8,959) |

(a) Principally a change in estimate of employee benefit obligations assumed at the acquisition dates.
(b) Trust income taxes on decommissioning funds at the acquisition dates.

## 6. Long-term Debt

During 1999, in connection with the acquisition of TMI, AmerGen entered into a financing agreement with GPU Nuclear, Inc., Jersey Central Power & Light Company, Metropolitan Edison Company, and Pennsylvania Electric Company. The loan is to be paid in five annual installments of $15.6 million. The final payment is due December 20, 2004. The note has been recorded at its net present value based on an imputed interest rate of 6.2%.

During 2000, in connection with the acquisition of OC, AmerGen entered into a financing agreement with GPU Nuclear, Inc., the former owners of OC. In accordance with the asset purchase agreement, GPU funded AmerGen's outage expenditures up to $88.7 million for the 2000 refueling outage. The loan is to be repaid in nine annual installments with the final payment due no later than August 8, 2009. As of December 31, 2001, $104 million is due GPU and has been recorded at its net present value based on an imputed rate of 6.33%.

Maturities of long-term debt are:

| | |
|---|---|
| 2002 | $25,505 |
| 2003 | 25,505 |
| 2004 | 25,505 |
| 2005 | 9,861 |
| 2006 | 9,861 |
| Thereafter | 29,583 |

## 7. Leases

Minimum future payment under non-cancelable operating leases as of December 31, 2001 were as follows:

| **For Years Ended December 31,** | |
|---|---|
| 2002 | $1,037 |
| 2003 | 734 |
| 2004 | 535 |
| 2005 | 407 |
| 2006 | 209 |
| Thereafter | - |
| | $2,922 |

Rental expense under operating leases was approximately $791 in 2001 and $904 in 2000. The Company has not entered into any lease that would be classified as a capital lease.

## 8. Taxes Other Than Income

The following is an analysis of tax expense for the years ended December 31, 2001 and 2000:

| | 2001 | 2000 |
|---|---|---|
| Real estate | $17,118 | $11,182 |
| Capital stock | (2) | 326 |
| Payroll | 7,861 | 10,546 |
| Use tax | - | 1,255 |
| Other | 87 | 99 |
| Total | $25,064 | $23,408 |

## 9. Pension and Other Postretirement Benefits

Effective January 1, 2000, the Company began defined benefit pension and postretirement benefit plans. The plans are applicable to all employees with at least one year of service.

The following tables provide a reconciliation of benefit obligations, fair value of plan assets, funded status and costs at December 31, 2001 and 2000.

| | Penion Benefits | | Other Postretirement Benefits | |
|---|---|---|---|---|
| | 2001 | 2000 | 2001 | 2000 |
| Change in benefit obligation: | | | | |
| Net benefit obligation at beginning of year | $24,423 | $ - | $60,988 | $ - |
| Service cost | 8,196 | 6,620 | 2,713 | 2,490 |
| Interest cost | 2,397 | 1,698 | 4,082 | 3,605 |
| Plan amendments | - | 514 | - | 44,503 |
| Actuarial (gain)/loss | 1,027 | 1,122 | (324) | 6,545 |
| Special termination benefits | - | 14,678 | - | 3,845 |
| Gross benefits paid | (1,565) | (210) | - | - |
| Net benefit obligation at end of year | $34,478 | $24,422 | $67,459 | $60,988 |

| | Penion Benefits | | Other Postretirement Benefits | |
|---|---|---|---|---|
| | 2001 | 2000 | 2001 | 2000 |
| Change in Plan assets: | | | | |
| Fair value of plan assets at beginning of year | $ 827 | $ - | $ - | $ - |
| Actual return on plan assets | 322 | (3) | - | - |
| Employer contributions | 10,135 | 1,040 | - | - |
| Gross benefits paid | (1,565) | (210) | - | - |
| Fair value of plan assets at end of year | 9,719 | 827 | - | - |
| Funded status at end of year | (24,760) | (23,596) | (67,458) | (60,988) |
| Unrecognized net actuarial (gain)/loss | 2,178 | 1,113 | 6,158 | 6,468 |
| Unrecognized prior service cost | 452 | 483 | - | - |
| Net amount recognized at end of year | $(22,130) | $(22,000) | $(61,300) | $(54,520) |

| | Pension Benefits | | Post-Retirement Benefits | |
|---|---|---|---|---|
| | 2001 | 2000 | 2001 | 2000 |
| Components of net periodic benefit cost: | | | | |
| Service cost | $ 8,196 | $ 6,620 | $ 2,713 | $ 2,490 |
| Interest cost | 2,397 | 1,698 | 4,082 | 3,605 |
| Expected return on assets | (348) | - | - | - |
| Amortization of: | | | | |
| Prior service cost | 31 | 31 | - | - |
| Actuarial (gain)loss | - | - | - | 63 |
| Net periodic benefit cost | 10,276 | 8,349 | 6,795 | 6,158 |
| Special termination benefit charge | - | 14,678 | - | 3,845 |
| Total cost | $ 10,276 | $ 23,027 | $ 6,795 | $ 10,003 |

For measurement purposes, a 10% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2001. The rate was assumed to decrease to 4.5% in 2008 and remain at that level thereafter.

| Weighted average assumptions at December 31, 2001 | Pension Benefits | Postretirement Benefits |
|---|---|---|
| Discount rate | 7.35% | 7.35% |
| Expected return on plan assets | 9.50% | - |
| Rate of compensation increase | 5.00% | 5.00% |

## 10. Supplemental Cash Flow Information

As discussed in Note 1, AmerGen files a partnership return for federal and state income taxes. Taxes are paid by its equity members, and as such no income taxes were paid by AmerGen.

Taxes were paid by the decommissioning trust fund for the years ended December 31, 2001 and 2000 in the amount of $20.7 million and $13.9 million, respectively.

No interest was paid during 2001 or 2000.

Noncash, investing and financing activities for the year ended December 31, 2000 related to the acquisition of nuclear plants were:

| | |
|---|---|
| Pension and OPEB obligations | $44,510 |
| Vacation pay obligation | 6,810 |
| Other | 347 |

## 11. Affiliated Company Transactions

AmerGen has entered into PPAs dated December 18, 2001 and November 22, 1999 with Exelon Generation. Under the 2001 PPA, AmerGen has agreed to sell to Exelon Generation all the energy from TMI from January 1, 2002 through December 31, 2014. Under the 1999 PPA, AmerGen has agreed to sell to Exelon Generation all of the residual energy from Clinton, through December 31, 2002. Currently, the residual output approximates 25% of the total output of Clinton. For the years ended December 31, 2001 and 2000 the amount of power purchased by Exelon Generation recorded in the statements of operations is $56.9 million and $51.8 million, respectively. At December 31, 2001 and 2000 AmerGen had a receivable due from Exelon Generation of $3.2 million and $2.9 million, respectively.

In addition, under a service agreement dated March 1, 1999, Exelon Generation provides AmerGen with certain operation and support services to the nuclear facilities owned by AmerGen. This service agreement has an indefinite term and may be terminated by Exelon Generation or by AmerGen on 90 days' notice. Exelon Generation is compensated for these services in an amount agreed to in the work order but not less than the higher of its fully allocated costs for performing the services or the market price. For the years ended December 31, 2001 and 2000 the amount charged to AmerGen for these services was $80.5 million and $32.4 million, respectively. At December 31, 2001 and 2000, AmerGen had a payable to Exelon Generation of $47.3 million and $20 million, respectively.

British Energy provides employees to AmerGen to manage and operate certain aspects of the Company's nuclear operations. During 2001 and 2000, AmerGen incurred $1.7 million and $2.1 million, respectively, in costs for these employees as well as for other administrative services. At December 31, 2001 and 2000, AmerGen had a payable to British Energy of $0.9 million and $0.2 million, respectively.

Exelon Generation has committed to provide AmerGen with capital contributions equivalent to 50% of the purchase price of any acquisitions AmerGen makes in 2002. Exelon Generation and British Energy have each agreed to provide up to $100 million to AmerGen at any time for operating expenses.

AmerGen also provides certain operating services to PECO plants. During 2001 and 2000, AmerGen provided services of approximately $2.0 million and $1.1 million, respectively, to PECO. At December 31, 2001 and 2000, AmerGen had a receivable from PECO of $2.0 million and $1.4 million, respectively.

## 12. Acquisitions

In August 2000 AmerGen purchased OC for $13.8 million of cash. The acquisition was accounted for using the purchase method of accounting using the fair value of assets acquired and liabilities assumed.

## 13. Comprehensive Income

| | December 31, 2001 | | |
|---|---|---|---|
| | Retained Earnings | Accumulated Other Comprehensive Income | Comprehensive Income (Loss) |
| Beginning balance | $ (1,747) | $ 7,580 | $ - |
| Net income | 156,287 | - | 156,287 |
| Unrealized losses on securities | - | (43,910) | (43,910) |
| Ending balance | $ 154,540 | $ (36,330) | $112,377 |

| | December 31, 2000 | | |
|---|---|---|---|
| | Retained Earnings | Accumulated Other Comprehensive Income | Comprehensive Income (Loss) |
| Beginning balance | $ 3,719 | $ - | $ - |
| Net loss | (5,466) | - | (5,466) |
| Unrealized gains on securities | - | 7,580 | 7,580 |
| Ending balance | $ (1,747) | $ 7,580 | $ 2,114 |

In accordance with SFAS 130, unrealized gains and losses in the market value of decommissioning trust funds are reflected as other comprehensive income, a component of members' equity.

## 14. Subsequent Event

On February 12, 2002 AmerGen entered into a loan agreement with Exelon Generation. Under this agreement, AmerGen has the ability to enter into a revolving demand loan up to but not exceeding $75 million. Principal payments are due upon demand by Exelon Generation but no later than November 1, 2002. During the first quarter of February 2002, AmerGen borrowed $46 million under this loan agreement. The interest rate on the loan is one-month LIBOR plus 2.25% and is payable monthly.